

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SS-15 NSC-10 DODE-00 CIAE-00 PM-07

INR-10 L-03 NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 SPC-03

USIA-15 TRSE-00 MBFR-04 SAJ-01 ACDA-19 COME-00 H-03

EB-11 OMB-01 DRC-01 /144 W
----- 036613

P R 061412Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 7889

INFO USMISSION NATO BRUSSELS PRIORITY

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 14542

DEPARTMENT PASS TREASURY AND DEFENSE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET : OCTOBER 5 CASEY-HERMES MEETING
IN BONN

1. SUMMARY. DURING THE OCTOBER 5 OFFSET MEETING, AMBASSADOR HERMES AGREED TO BO BACK TO THE GERMAN FEDERAL SECURITY COUNCIL AND REQUEST AUTHORITY TO INCREASE THE GERMAN MILITARY PROCUREMENT OFFER. HERMES ALSO AGREED TO EXPLORE THE POSSIBILITY OF INCLUDING URANIUM ENRICHMENT SERVICES IN THE OFFSET. HE WAS NOT ENCOURAGING REGARDING THE POSSIBILITY OF INCREASING THE GERMAN OFFER ON INFRASTRUCTURE AND LOCAL COSTS.

2. UNDER SECRETARY CASEY REVIEWED THE STATUS OF THE JACKSON/NUNN AND HUMPHREY/CRANSTON/BYRD AMENDMENTS TO THE DEFENSE PROCUREMENT BILL AND STRESSED THAT THE ADMINISTRATION WILL DO ALL IT CAN TO DEFEAT OR WATER DOWN THESE AMENDMENTS, BUT THAT WE NEED ALL THE HELP WE CAN GET, INCLUDING A RESPECTABLE OFFSET
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AGREEMENT WITH GERMANY. IN REVIEWING THE PRESENT

STATUS OF THE NEGOTIATIONS, THE UNDER SECRETARY STRESSED THE SIZE OF THE VERY LARGE GAP REMAINING BETWEEN OUR PROJECTED EXPENDITURES AND THE INITIAL GERMAN OFFER. HE REVIEWED THE WORK OF THE MILITARY PROCUREMENT AND INFRASTRUCTURE WORKING GROUPS AND STRESSED THAT IN ORDER TO MAKE PROGRESS, DECISIONS ARE NEEDED AT THE POLICY LEVEL. THE UNDER SECRETARY INDICATED THAT IN OUR VIEW BUDGET CONSIDERATIONS RATHER THAN A LACK OF MILITARY REQUIREMENTS SEEMED TO BE SETTING A LIMIT TO GERMAN MILITARY PROCUREMENT PLANS AND HE SUGGESTED THAT THE GERMAN GOVERNMENT MIGHT TAKE ANOTHER LOOK INTO THIS AREA. AMBASSADOR HERMES RESPONDED THAT HE WOULD GO BACK TO THE NATIONAL SECURITY COUNCIL ON THIS POINT AND THAT HE WAS RELATIVELY HOPEFUL THAT HE COULD OBTAIN AN IMPROVEMENT IN THE MILITARY PROCUREMENT OFFER.

3. UNDER SECRETARY CASEY SUGGESTED THAT BOTH SIDES MIGHT ALSO LOOK INTO THE POSSIBILITY OF INCLUDING URANIUM ENRICHMENT SERVICES AS ANOTHER ITEM IN THE OFFSET. HERMES INDICATED THAT ON THIS QUESTION, TOO, HE WOULD GO BACK TO HIS GOVERNMENT, BUT HE WAS LESS OPTIMISTIC THAN ON MILITARY PROCUREMENT THAT IT WOULD BE POSSIBLE TO FIND ADDITIONAL HELP IN CLOSING THE GAP IN THIS FIELD.

4. UNDER SECRETARY CASEY ALSO REQUESTED THAT THE GERMAN GOVERNMENT EXAMINE WHETHER IT MIGHT NOT BE POSSIBLE TO IMPROVE THE GERMAN OFFER IN THE FIELD OF INFRASTRUCTURE AND LOCAL COSTS. IN HIS RESPONSE, AMBASSADOR HERMES DID NOT HOLD OUT VERY MUCH HOPE, HOWEVER, THAT GERMANY COULD GO BEYOND THE DM 600 MILLION WHICH IT HAD ALREADY OFFERED IN THIS FIELD.

5. AMBASSADOR HERMES INQUIRED REGARDING THE TIME SCHEDULE OF FURTHER CONGRESSIONAL CONSIDERATION AND CONFERENCE MEETINGS ON THE AMENDMENTS TO THE DEFENSE PROCUREMENT ACT. WHEN UNDER SECRETARY CASEY INDICATED THAT HE THOUGHT CONGRESSIONAL ACTION ON THE DEFENSE PROCUREMENT BILL WOULD BE CONCLUDED IN CONFIDENTIAL

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EARLY NOVEMBER, AMBASSADOR HERMES INDICATED THAT HE WOULD MAKE THE MAXIMUM EFFORT POSSIBLE TO GET FROM HIS GOVERNMENT DECISIONS (I.E., ON MILITARY PROCUREMENT) WHICH MIGHT BE HELPFUL TO THE ADMINISTRATION IN ITS EFFORTS TO DEFEAT THESE AMENDMENTS. IT SEEMED NOT LIKELY, HOWEVER, THAT THE OFFSET AGREEMENT COULD BE CONCLUDED IN TIME TO BE EFFECTIVE IN THIS REGARD. AMBASSADOR HERMES,

THEREFORE, SUGGESTED THAT WE SHOULD WORK TOGETHER TO ENLIGHTEN CONGRESS CONCERNING THE DM L.5 BILLION GERMANY ALREADY SPENDS ANNUALLY IN SUPPORT OF THE US FORCES OUTSIDE OF THE OFFSET AGREEMENT. THESE ANNUAL PAYMENTS WOULD CONTINUE DURING THE NEXT OFFSET PERIOD AND TOGETHER WITH THE DM 600 MILLION

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NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 MBFR-04 SAJ-01 OMB-01 DODE-00 COME-00 H-03

ACDA-19 DRC-01 EB-11 /144 W

----- 036610

P R 061412Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 7890

INFO USMISSION NATO BRUSSELS PRIORITY

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 14542

THE GERMAN SIDE HAD ALREADY OFFERED FOR INFRASTRUCTURE PROJECTS CONSTITUTED A RESPECTABLE DM 3.6 BILLION BURDEN SHARING CONTRIBUTION DURING THE NEXT OFFSET PERIOD. AMBASSADOR HERMES SUGGESTED AND UNDER SECRETARY CASEY AGREED THAT A WORKING PARTY SHOULD BE SET UP TO SEE WHAT KIND OF PRESENTATION IN THIS FIELD MIGHT BE USEFUL FOR WORK WITH THE CONGRESS PRIOR TO THE CONCLUSION OF THE OFFSET AGREEMENT.

6. AMBASSADOR HERMES BRIEFLY BROUGHT UP AGAIN AND UNDER SECRETARY CASEY REJECTED THE GERMAN ARGUMENTS ALREADY PUT FORTH DURING THE WASHINGTON MEETING CONCERNING THE RELEVANCE TO THE OFFSET OF GERMAN

CONTRIBUTIONS IN THE MONETARY FIELD AND OF THE PROSPECTS
OF IMPROVEMENTS IN THE US OVERALL BALANCE OF PAYMENTS
DURING THE NEXT OFFSET PERIOD.

7. AMBASSADOR HERMES THEN BROUGHT UP THE CURRENT
DISPUTE IN THE NATO BURDEN SHARING WORKING GROUP
BETWEEN THE UNITED STATES AND THE GERMAN DELEGATIONS.
HERMES INDICATED THAT THE US STANCE IN THE NATO
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WORKING GROUP WAS CAUSING INCREASING IRRITATION IN
BONN AND PLEADED THAT BOTH SIDES SHOULD DO WHATEVER
THEY COULD TO AVOID THIS WORKING GROUP BEING
TRANSFORMED INTO A GERMAN/US CONFRONTATION WHICH
IS IN THE INTEREST OF NEITHER COUNTRY. HERMES
COMMENTED THAT TO DISCUSS BURDEN SHARING IT SEEMED
TO HIM ONE SHOULD EITHER DO SO AT A HIGHER POLICY
LEVEL OR AMONG REALLY EXPERT ECONOMISTS. BUT AT
PRESENT, DISCUSSION IN BRUSSELS ON A MEDIUM-LEVEL
AND WITH A MIXTURE OF POLITICAL, PSYCHOLOGICAL
AND ECONOMIC ARGUMENTS WAS LEADING TO RESULTS
UNFORTUNATE FOR BOTH OF US.

8. NEITHER SIDE RAISED THE POSSIBILITY OF INCLUDING
LOANS OR OTHER FINANCIAL FILLERS INTO THE OFFSET
AGREEMENT.

9. MR. HEICHLER IS HAND CARRYING TO WASHINGTON
DETAILED NOTES OF THE MEETING.

10. THIS MESSAGE WAS SENT AFTER UNDER SECRETARY
CASEY'S DEPARTURE FROM BONN AND HAS NOT BEEN CLEARED
BY HIM.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: OFFSET PAYMENTS, AMENDMENTS, MILITARY BASES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN14542
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS HILLENBRAND
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731046/aaaabhm.tel
Line Count: 210
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2001 by izenbei0>; APPROVED <19-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OFFSET : OCTOBER 5 CASEY-HERMES MEETING IN BONN
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005